

## Capitalism

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It is perhaps not surprising that a concept's repressed history re-enters public consciousness and academic debate when the phenomenon it seeks to capture is in fundamental crisis (Streeck 2009; Piketty 2014; Adelman 2015). This is the case for the concept of capitalism in the wider social sciences and, specifically, in the field of IR/IPE, which, as we will argue, excised the term throughout much of its short disciplinary history during the 20<sup>th</sup> Century. This elision, we further argue, is deeply embedded in mainstream IR/IPE's theoretical reliance on neoclassical economics, which had divested the term capitalism of its analytical significance by replacing it with a more restrictive, technical, and socially disembodied category of 'the market'. Capitalism as a concept disappeared therefore from much of mainstream IR/IPE until the last decade or so.

A clarification of the concept of capitalism is hence confronted with its academically and politically contested nature and its consequent conceptual ambiguity. We proceed from the suggestion in the Introduction to this volume that singular concepts receive their meanings only within wider conceptual webs, which form an analytical vocabulary that is specific to distinguishable theoretical traditions. The meaning of the concept of capitalism is intrinsically polyvalent and receives a degree of semantic stability only within particular theoretical registers. Yet, these paradigms do not offer themselves as free-floating presences in the academic market-place, but result from long-standing conceptual conflicts over the scope of diverse disciplines, manifested in the restriction of the concept to a narrower set of ideal-typical *economic* properties, which informs its replacement by categories like 'the market' or 'the economy', against the expansiveness of capitalism as an epochal and historically specific set of *social relations*. Broadly speaking, this analytical rift across the academic field corresponds to the contemporary disciplinary divide between economics and the wider social sciences. Yet, even within this divide, capitalism is more widely used as a suggestive and explicitly political *Kampfbegriff* (polemical term) of both the

political right and left, whose contending definitions indicate the intellectual positionality of its respective defenders with direct implications for policy advice and politics.

Accordingly, this chapter reconstructs and unravels the amalgamation of the analytical and the political in the term by tracing its conceptual development from its emergence to its refinement, refusal and replacement within a contested history of discipline construction. The central thesis is that the conceptual history of capitalism is characterised by a progressive shift away from conceiving 'the economic' in socio-political terms towards its de-socialisation and de-politicisation captured in a restrictive and technical equation of the economic with 'the market' as a detached object of investigation. We show that the progressive emancipation of the disciplines of political economy (PE) and, later, economics from an earlier more holistic field of social philosophy left little room for wider conceptions of capitalism found in Classical Political Economy, Marxism, and parts of Sociology. In a second step, we argue that the analytical decoupling of abstract economic principles from their social underpinnings had profound implications for the main paradigms of IR and IPE. Due to their overwhelming reliance on the narrower conception imported from 'economics', both disciplines were constructed without one of the social sciences' most fundamental concepts - capitalism.

This vanishing act poses a particular challenge for this chapter. It requires that a conceptual history of capitalism tracks the making of a conceptual absence through the successive crafting of place-holders, like 'the market', 'the economy', and 'utility-maximisation'. We conceive these as counter-concepts forged to dissolve a wider conception of capitalism and to reserve the narrower one to the discipline of economics (Milonakis & Fine 2009, 91-118). In short, the chapter adopts a specific kind of conceptual history, which does not rely on the recovery of the textuality and inter-textuality of capitalism's historical semantics, but rather retrieves its changing meanings – in tandem with, especially the 'market' - within a contested history of multiple discipline constructions. This strikes at another fundamental intellectual problem in concept-analysis. Whereas above reflections problematise the relation between history and concept-formation, the chapter also interrogates the relation between social-scientific concepts and their historical empirical referents. Classically, this question has produced two methodological answers. We can either pursue a strategy of general concept-formation, generating firm definitions, general abstractions or ideal-types.

These tend to reduce the points of contact between a historical phenomenon and its conceptualisation, yielding ideality. Alternatively, we can pursue a strategy of historicisation that tries to minimise the distance between conceptual abstraction and the phenomenon it tries to track. These two opposing methods are visible in Marxism as in many other social science traditions, as discussed in the introduction to this volume.

However if, as many Marxists would agree, capitalism is a contested social relation, grounded in differential access to property, then this relationality needs to be tracked in historically concrete ways. Thus, this chapter envisions capitalism not as a definitionally fixed theoretical category – identical with itself over time – but as an open-ended and lived historical praxis. It follows that we conceive of history neither as mere illustration nor expression of a deeper conceptual logic, but as the primary terrain on which capitalism as a social relation is constructed - requiring conceptual reconstructions that capture specificity. Historicisation is therefore advocated not only against the replacement of the term capitalism by that of 'the market' in mainstream economics, but also against counter-attempts – within Marxism and without – to stabilise an essentialised notion of capitalism in spatiotemporally indifferent general abstractions as ideal-types.

Social reality, we contend, is not unaffected by its conceptualisation and therefore dependent of *how* we conceptualise it. Hence, a specific conceptual register calls a specific experience into consciousness by providing a common language designed to act upon it. Few concepts lend themselves better to an examination of this relation between word and world than capitalism. Broadly speaking, our approach to analysing changes in the conceptual meanings of capitalism/market is informed by a critical historical sociology of concept-formation, which emphasises the politics of concept-construction - both, in the sense of indicating what socio-political contexts and interests generate what kinds of conceptual changes, and in the sense of how these altered concepts inform policy changes. Inversely, we suggest that concept-formation needs to be oriented towards specificity to avoid reification – a task whose exposition is largely beyond the scope of this chapter. The chapter employs therefore a political-marxist approach which rejects an economistic and systemic interpretation of capitalism left intact at an abstract conceptual level, replacing it with a social-relational and historicist understanding that emphasises the politics and geopolitics of social reproduction, grounded in social conflicts and differential market

power. This approach, which has some affinities with concept history in the tradition of both Koselleck and the Cambridge School, rejects both generic definitions of 'capitalism' but also its exclusive study through the retrieval of its semantic meaning articulated by contemporaries. While we agree that all concepts are 'essentially contested', we are missing methodological guidelines in the volume's three suggested modes of concept analysis how socio-political conflicts inform concept-formation, rather than how concepts perform and constitute reality. Ideally, this desideratum requires a critical sociology of knowledge, different from *Begriffsgeschichte*, concept analysis and discourse analysis (for a guiding critique see Steinmetz 2008).

The chapter interrogates the conceptual history of capitalism through the prism of three distinct questions. How are capitalism and its counter-concepts defined? What understandings of theory and social science sustain these conceptualisations? What are the implications of adopting either the concept of capitalism or the market, imported from the classical canon of economics, into contemporary IR/IPE for theorising international relations? We also draw out, where appropriate, the political implications of accepting a specific conceptualisation of the term capitalism. The first part of this chapter reviews how the economic came to be conceived – oscillating between 'the market' and 'capitalism' – across key traditions in the pre-WWII social sciences and in the emerging sub-discipline of Political Economy.<sup>1</sup> The second part draws out how the absence or presence of conceptions of capitalism informs the analysis of global political dynamics in IR and IPE. That is, it not merely presents how different IR/IPE approaches conceive of capitalism, but also how the adoption of certain conceptions of the economic allows for certain options of modelling international relations. We exemplify this for Neorealism, Neo-liberal Institutionalism, and two Neo-Marxist traditions. We suggest that precisely because mainstream IR theories tend to conceive of the economic in terms of a de-socialised and de-politicised abstraction, imported uncritically from neo-classical assumptions of 'the market', 'the logic' of international relations is conceived independent from – but in analogy to – the alleged 'logic' of competitive markets and therefore as unaffected by social and geopolitical

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<sup>1</sup> Our argument in section 1 is indebted to the works of Hodgson (2001), Clarke (1991) and Fine and Milonakis (2009).

conflicts around property relations. The conclusion discusses the broader implications of such moves.

## **Part I: Capitalism versus the Market before IR/IPE**

### *From Classical Political Economy to Karl Marx: 'The System of Natural Liberty' vs. Capitalism as a Social Relation*

The conflict over the conceptualisation of capitalism in terms of either 'the market' or a distinct set of social relations reaches right back to Classical Political Economy (CPE). Systematically grounding the workings of the economy in secular and rational principles, Adam Smith's notion of 'the system of natural liberties' allows for two readings: one grounded in an abstract notion of 'homo oeconomicus', and one grounded in the acceptance of specific social classes that configure capitalism as a social relation.

Smith's *Wealth of Nations* conceives of 'the economy' in terms of a natural 'harmony of interests' among self-regarding individuals mediated by market transactions. An anthropological notion of the freely exchanging individual, driving an ever-widening division of labour, constitutes the phenomenon of the market as the ideal and naturalised mechanism for the allocation of resources, productivity improvements through specialization, and the growth of the wealth of nations. Competitive price-formation by the 'invisible hand' of supply and demand turns egoistic behaviour spontaneously into aggregate social benefits. And, if left undisturbed by politics and social conflict (and other un-natural obstacles), the dynamic of a widening and intensifying division of labour would drive history through successive stages of subsistence to the emergence of 'commercial society'.

However, this macro-dynamic theory of development, grounded in an elementary methodological individualism, is complemented by a theory of income distribution, premised on individuals differentially located in the structure of property-ownership, captured in the supra-individual category of three classes. Landlords, workers, and capitalists own different factors of production (land, labour, capital) and receive in turn rents, wages, and profits. Smith developed these categories through an inquiry into the co-

operative production of the (natural) price of a commodity, which he attributed to the respective factor of production each class added to its value. The differential forms of ownership determine differential kinds of interest, revenues and social relations. In this sense, Smith's naturalised economic theory receives not only historical specificity and social content, it is here conducted in structural, collective, and aggregate terms. Rather than an abstract science of economics, Smith devises a social theory premised on an emerging capitalist society, breaking free from 'un-natural' feudal and mercantile privileges, conceived as obstacles to the full flowering of market principles, anchored in a distinct and novel class structure. The economy was not an autonomous realm but coterminous with 'civil society'. And 'civil society' was not composed of fictional individual and equal property-owners, but rather populated by classes with unequal access to property and potentially diverging collective class interests. Ultimately, Smith's macro-dynamic theory of economic development, premised on a growing division of labour driven by self-regarding individuals, arrived at by the deployment of the deductive method, stood un-reconciled with his micro-theoretical insights into the class divisions between capitalists, landowners, and wage-workers as collective actors in a specific type of society, arrived at by the deployment of the historical-inductive method.

This multi-dimensional understanding reached also beyond the role of classes and included considerations of the political as an integral part of CPE. The market as an institution and as a 'spontaneous' mechanism was premised on certain political preconditions, which could not be rendered external or contingent to the conception of PE as a holistic social science. Smith reflected not on 'the economy' in the abstract as a discrete, self-regulating, and autonomous sphere of the market, but on public guarantees for private property rights, civil law and public jurisdiction to enforce contracts, legislation to maintain competitive markets against monopolies and privileges, and the development of moral sentiments through public education. Smith theorised a specific empirical referent society, even if it naturalised and de-historicised its origins and constitution. Smith's view of PE remained suffused with an unresolved tension between a transhistorical concept of the market, premised on a quantitatively ever-widening division of labour, and a historically more circumspect conception of capitalist social relations, anchored in a qualitatively distinct class configuration. However, the question of the historical origins of this novel set of social

relations that constituted the economy – the transition to capitalism – and the role of power and politics in this transition, disappeared from view.

The historicisation and theorisation of the empirical and seemingly natural categories in the works of Smith and particularly of David Ricardo – value, money, capital, profit etc. – formed the entry point for Marx to locate the existence, analysis and critique of capitalism in the historically specific conditions of its emergence, development and potential transformation.<sup>2</sup> However, a new problem appeared: the tension between a logical concept of capitalism as a system, and a more historicist understanding of capitalism as a social relation. Marx acknowledged that CPE “indeed analysed value and its magnitude [...] and uncovered the content concealed within these forms [that is: human labour; BT/FW]” (Marx 1990, p.173f.). Yet, it failed to understand the specific *social form* in which labour was expressed in value, quantifiable by labour time. Marx argued that while all goods (natural goods excepted) embody a certain amount of labour time, it is only when social reproduction depends on the exchange of products of separate private labours that these products are exchanged as proportions of the respective individual labours in all socially expended labour – expressed in their exchange value. In other words, it is not simply labour time that determines the value of a commodity, but a specific organisation of social labour: qualitatively different and in their productivity variable privately expended labours are equalised through the act of exchange – universally expressed in the form of money – as embodiments of *abstract labour*, measured as “socially necessary labour time”.

That an exchange of equivalent values allows for the accumulation of a surplus (value) posed major theoretical difficulties for Ricardo. Marx explained surplus by differentiating between labour (the actual labour expended in production) and labour power (the capacity to work). A surplus arises because specific social property relations force workers to exchange labour power against a wage lower than the value added by their labour to the product appropriated by the capitalist: exploitation. This is premised on the dispossession of direct producers from their means of reproduction, transforming the latter into private capital and producing two market-dependent classes: propertyless wage-labourers needing

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<sup>2</sup> Marx uses the term *capitalism* rarely and relatively late (for the first time in 1863 in *Theories of Surplus Value*, ch. 17). Until the 1850s he usually speaks of „bourgeois society“ before beginning to analyse the „capitalist mode of production“ as the dominant characteristic of modern societies in distinction from preceding modes of production.

to sell their labour-power, and the new owners of the means of production, capitalists. In standard Marxist discourse, this is referred to as the transition to capitalism:

“The process, therefore, which creates the capital-relation can be nothing other than the process which divorces the worker from the ownership of the conditions of his own labour; it is a process which operates two transformations, whereby the social means of subsistence and production are turned into capital, and the immediate producers are turned into wage-labourers. So-called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production.” (Marx 1990, p.874f.)

Marx’s analysis of capitalism is thus grounded in *class relations* – in theory through the value form of social labour; and in history through the socio-political conditions that generate the separation of direct producers from the means of subsistence. This also implies, contra Smith, that human nature is nothing innately pre-given and amenable to a generic conception of individuality and rationality, but shaped by historically specific social relations. This reinforces the ambiguities in Smith’s double reading of the market as flowing naturally from anthropological essences and its specific class composition, and foregrounds the historicist side of Marx. Inversely, Marx never resolved the divide between an abstract logic of capital as a system and this historicism – tracking the history of capitalism as a social relation. For *Capital* analyses primarily “the internal organization of the capitalist mode of production, its ideal average, as it were” (Marx 1991, p.970), reserving only one chapter to an explanation of its origins. Marx’ general thesis that the logic of capital applies to “societies in which the capitalist mode of production prevails” (Marx 1990, p.125) renders an explanation of the historical emergence of and on-going history of capitalism external to the logical/dialectical conceptual argument presented. This ambivalence has been phrased as a dominance of economic-technical (‘scientific’), over practical-political concepts (‘class struggle’) as driving factors in the analysis of history (Korsch 1981, p.86).

Still, even though CPE also conceived of society in class-divided terms, Marx was able to solve the mystery of capitalist profit generation by revealing its source in the exploitation of the working class. This insight, obscured by the liberal argument that free workers enter freely into a legal contract that exchanges equivalences (wages against labour), lead Marx to



claim that capitalism is not only rooted in exploitative class relations, but ultimately an unsustainable condition of human relations. Consequently, rather than writing a better political economy, Marx's interest revolved around the *critique* of CPE as an explanatory register to understand *history*. Simultaneously, this provided a theoretical foundation and analytical *tool* for the struggles of the labour movement. It was explicitly meant to function as a theoretically informed political-normative intervention into on-going social conflicts. However, the 'scientific' and 'class-struggle' readings of capitalism engendered long-lasting controversies within the socialist tradition.

### *The Methodenstreit and the Struggle over 'Economics'*

While CPE identified a proto-conception of the economic largely revolving around the market, but still circumscribed by moral and social philosophy, and while Marx oscillated between logical and historical conceptions of capitalism, an altogether different tradition of PE, the German Historical School (GHS) (Knies, Schmoller, Sombart), emerged during the 1840s. In critical engagement with CPE and against the idea of a tendentially cosmopolitan and abstract market, this School directed research towards the concrete, spatio-temporally diverse, and 'real' phenomena of 'economic' activity in the actual course of history. This implied the acceptance of inductivism (reasoning from observation to generalities), the rejection of nomothetic laws, and the replacement of the abstract individual profit-maximiser (methodological individualism) with a subjectivist conception of human beings embedded in 'moral communities' and institutions (family, Church, associations, nation, state). Historically grown institutions set the context-dependent parameters for culturally, socially and politically constituted motivations for economic conduct. Society remained an organic concept, composed of collectivities, rather than a mechanistic concept, understood as the aggregate of individual actions. The nation-state, rather than a politically disembodied market populated by rational market participants, constitutes the adequate unit of analysis.

GHS was centrally concerned with the question of the origins and historical specificity of capitalism as a concrete phenomenon. But this raised the question of how to reconcile the 'abstract-theoretical' with the 'empirical-historical' method. For any general definition of

capitalism as an economic phenomenon was immediately confronted with its manifold and specific 'realities' that could only be captured by re-admitting history and sociology into the concerns of PE. So while some representatives were not shy to advance definitions of capitalism, these were not meant to form the substantive core for further theoretical deductions, but conceived as 'ideal-types'. "Capitalism", Sombart suggested,

"is a particular economic system, an organisation based on market exchange, in which two different parts of the population – the owners of the means of production, who simultaneously manage production, the economic subjects, and propertyless workers, the economic objects – regularly interact via the medium of the market. This organisation is governed by the profit-principle and economic rationalism" (Sombart, 1987, p.319).

This economic system, and economic theory more generally, was not discussed as an abstraction but recharged with historical, social, and institutional content. Rejecting the articulation of general economic laws as abstract idealism, the GHS advanced an understanding of economic history in terms of the evolution of institutions that frame 'economic' activity. History was conceived in terms of evolutionary laws of historical change, expressed in a sequence of political communities from the tribe, mark, village, and town to the territory, the state and even larger confederations. While the mechanisms for these evolutionary laws remained unspecified and contingent, this historicisation reformulated economic theory as economic history.

The decisive break with historicity came with the arrival of Marginalism. For this group of scholars (with significant differences: Jevons, Walras, Menger) sought to move from a holistic study of capitalism to a "pure theory of economics" (Walras 1954: 71), recasting PE into "a theory of exchange based on the proportionality of prices *to intensities of the last wants satisfied*" (Walras in: Fine & Milonakis 2009, p.95). With marginal utility becoming the axiomatic underpinning of pure economics, methodological individualism and the centrality of static equilibrium provided a new foundation for abstract deduction and algebraic modelling of the dynamics of economic activity. Economics was henceforth conceived as a positivist science, modelled on the conception of 'value-free' theory in the natural sciences, revolving around price-formation in subjective acts of exchange in a hypothetical situation

of perfect competition (rather than around production grounded in the labour theory of value). Thus, Marginalism broke not only decisively with Marxism and GHS, but also with CPE.<sup>3</sup>

These differences came to a head in the *Methodenstreit* (Fine & Milonakis 2009), conducted primarily between GHS's leader, Gustav Schmoller, and the Austrian economist Carl Menger, in the 1880s. While Menger built on Marginalism – accepting the concept of marginal utility, the view of the economy as composed of atomised individuals, and the deductive method – he dramatised the antinomies between a 'clunky' and descriptive historicism and economics as an 'exact science'. The former, he charged, remained confined to the investigation of 'full empirical reality', expressed in ideographic narratives, the spatio-temporal context-boundedness of economic phenomena, and the inductive method, yielding limited generalisations and abstractions. Economics as a science proceeded inversely to bridge the gap between description and explanation through the method of abstraction and isolation (from non-economic disturbances). This would yield theoretical rather than just empirical knowledge, leading to exact laws amenable to scientific generalization. In the process, the emphasis on the 'subjective' was effectively re-objectified as the concern for understanding subjective economic motivation (choice) was reduced to an anthropological and essentialised axiomatic identification of individual self-interest, grounded in the satisfaction and maximization of well-being. Preferences were posited and naturalised as pre-given. Only this move, according to Menger, could anchor economics as an exact science, generating nomothetic knowledge, removed from non-economic obfuscations. With classes as collective economic agents being replaced by individuals, historical specificity was sacrificed for simple transhistorical assumptions, and the social and political purged from the analysis. Ultimately, a holistic perspective was foregone and the term capitalism axed.

The controversy engendered remarkable and far-reaching consequences for the social sciences. With the triumph of Marginalism, PE re-constituted itself as de-socialised, de-historicised, and de-politicised 'economics', independent from cognate social sciences and subject to growing and increasingly professionalized standards of thematic, methodical, and theoretical disciplinary self-identity, expert knowledge, and boundary maintenance. The

non-economic aspects of PE were rendered external and travelled towards the fields of sociology, history, and politics. The multi-disciplinary and tendentially holistic thematic horizon of these disciplines shrank to strictly delimited and separate objects of investigation. The elision of the historical and socio-political from pure economics, evicting Marxism and Historicism from the theoretical canon, left economics as a set of abstract deductions about the market and rational economic behaviour by individuals. This move from semi-institutionalised pre-disciplinarity to a fully institutionalized pluri-disciplinarity towards the end of the 19<sup>th</sup> Century laid the tracks for the development of neo-classical economics.

Max Weber's social economics can be read as a final recovery act to bridge the gap between an a-historical science of economics and an a-theoretical field of economic history. Insisting on the non-separability of economic and non-economic phenomena and the essential historicity of both, Weber sought to re-convene a fragmenting field of knowledge in a multi-disciplinary understanding of sociology as a historical science. "The boundary lines of 'economic' phenomena are vague and not clearly defined (...) as the economy does not exist in a social vacuum, but rather is part of society at large." (Fine & Milonakis 2009, 195). For Weber, culture – or, more widely, ideas – expressed in his sociology of the economic ethics of world religions become the primary collective pre-condition (even if not mono-causally so) for a wider process of Western rationalization, 'laying the tracks' for the peculiarly Western form of instrumental rationality. This was expressed across all spheres of life, though not, critically for Weber, in politics, which he reserved as the sphere of charismatic leadership. While the economic ethos of non-Western world religions had blocked a breakthrough towards a rational form of capitalism outside Europe, Protestantism had inculcated a methodical spirit of inner-worldly aestheticism oriented towards salvation revealed in successful work. This stretched to the methodical-rational conduct of life across all social spheres, including the rational organization of the enterprise. The *Protestant Ethic and the Spirit of Capitalism* (Weber 2011) provided a collectivist-culturalist explanation for the prevalence of individual rational value-orientations, which had become, over time, sedimented in institutions that survived as 'iron cages of obedience' even after the spirit of the Protestant Ethic had escaped in successive rounds of post-Reformation secularization. Essentially, according to Weber, it was not capitalism as a specific set of social relations which generated methodical conduct (calculability, efficiency, profit-maximisation, work-

discipline), but rather a religiously inspired spirit of rationality that came to suffuse all spheres and institutions, solidifying a capitalist economic order.

While Weber's Protestantism Thesis is today widely refuted on empirical and logical grounds, his types of social action, including the rational type of economic action, offered a second life-line for keeping a distinctly Weberian conception of capitalist economic action alive. Switching from ideational collectivism to methodological individualism, his types of social action were not conceived as culturally and space-time specific to post-Reformation Europe, but could, as universal ideal-types, in principle hold transhistorically for a variety of specific historical instances. In this sense, Weber's subjectivist conceptualization of capitalist action as rational conduct oriented towards profit-maximisation could hold for antiquity, the Middle Ages, the Renaissance city-states, and modernity at large. However, as capitalism was not defined as a set of spatio-temporally specific social relations, but as a value-orientation somehow linked up with a wider western notion of rationality, it tended to render the conception of capitalist action indiscriminate and arbitrary. For the concept of capitalism, in the pages of *Economy & Society* (Weber 1978), was now subjected to sub-types and further sub-sub-types, on a spectrum from peaceful exchange and commerce, i.e. purely economic profit maximization, to political capitalism, i.e. politically secured profit-maximisation, ranging from public monopolies to simple banditry and plunder visible across time and space. Ultimately, capitalism as a set of historically distinct social relations was dissolved into a transhistorical human disposition, unevenly present in very diverse historical settings.

#### *How 'Capitalism' Disappeared from Economics*

After the end of WW II, challenges to Lionel Robbins' famous reduction of economics to the study of "human behaviour as a relationship between ends and scarce means which have alternative uses" (Robbins 1932, p.15) withered away: Weber was confined to sociology, the GHS silently disappeared and historically oriented economists were side-lined at major universities in the US and UK (Hodgson 2001, pt.III). Externally, economics became a parent science, modelling other disciplines after its de-historicised and universal image (e.g. Parsonian sociology). Internally, it was preoccupied with a consistent extrapolation of its

micro-foundations to explanations of macro-phenomena – first through general equilibrium theory; and later through game theory.

Thus, the economics mainstream today – neoclassical economics – can be understood as a formalisation, systematisation and extension of early marginalist principles. Larger economic phenomena are presented as an aggregation of rational, utility maximising acts of individual behaviour. Value derives not from production costs – especially not from living labour – but from scarcity; and price is a judgement of value in exchange: an effect of individual choices. Under assumptions of perfect competition, symmetric information, no increasing returns to scale, and no barriers to market entry, the sum-total of these choices will lead to an equilibrium between demand and supply. Combined, partial equilibria for separate markets are supposed to add up to a general equilibrium describing national economic dynamics and allowing for mathematical modelling. This equilibrium is as a rule Pareto-optimal, respectively allocatively efficient. If rigidly applied, economic phenomena not only can, but *must* be explained as deductions of these basic principles.

With the axioms of economics defined without reference to socio-historical context and for all eternity, there was no explanatory value to be sought in historically specific concepts – such as *capitalism*. There was, however, a political one. During the Cold War, the concept of capitalism resurfaced as an “anti-collectivist” *Kampfbegriff* launched by the late Austrian School of Ludwig von Mises and Friedrich von Hayek – and by Chicago School figurehead Milton Friedman – against both real-existing Keynesianism and state-socialism. To mobilise moral support, the liberal tradition was rewritten and equated with the advocacy of an abstract and idealised capitalism:

A society in which liberal principles are put into effect is usually called a capitalist society, and the condition of that society, capitalism. Since the economic policy of liberalism has everywhere been only more or less closely approximated in practice, conditions as they are in the world today provide us with but an imperfect idea of the meaning and possible accomplishments of capitalism in full flower. (Mises 2002, p.10)

Consequently, with real-existing capitalism being ‘imperfect’, its true meaning had to be fathomed through *a priori* theorising, which was done through the principles of neoclassical

economics. In a mind-boggling inversion of standard social-scientific protocol, aprioristically defined (and thus tautologically reaffirmed) principles of human action became the unquestionable maxim against which real-existing economies would have to be evaluated. Contested political processes were presented as problems of methodological (non-) adherence. To Mises, an economic system based on private property was preferable to any other, because it allowed the rationality of human action to be expressed in monetary terms, allowing for exact calculation and efficient allocation. Hayek went even further in insisting that private property and markets are the *only* necessary solution to humanity's "basic economic problems" of choice and scarcity (Hayek 1963, p.12). This received its most explicit extension to contemporary politics across the Atlantic through Friedman's equation of capitalism with political freedom:

The kind of economic organization that provides economic freedom directly, namely competitive capitalism, also promotes political freedom because it separates economic power from political power and in this way enables the one to offset the other. (Friedman 2002, p.9)

In short, a radicalised abstract individualism forms the methodological, philosophical and political common denominator, allowing for a synthetic conceptual chain "economics-liberalism-capitalism", with profound implications for political advocacy and practice. The works of Mises, Hayek and Friedman not only became a prominent template for attacks on socialism, but also for economic policy design in Pinochet's Chile, Thatcher's UK or Reagan's US.

Despite their differences, neoclassical and Austrian-style economics purge the social, political and historical from the theoretical apparatus, reduce rationality to utility maximisation, and define market processes as the optimal form of resource allocation and needs satisfaction. Other forms of human activity become irrational, extra-theoretical, and render suboptimal outcomes. What, then, happens to history? By generalising individual choice and market exchange across all historical periods, the role of the historian is downgraded in a demoted sub-discipline of economic history to analyse history through the lens of economic theory. This approach is prominently represented by Douglass North and the tradition of New Institutional Economics (NIE), arguably the most sophisticated weapon

currently launched against a concept of capitalism as a historical social relation. It upholds the core assumptions of neoclassical economics, most importantly its methodological individualism and the ontological starting point of “scarcity and, hence, competition for resources” (North 2005, p.1), but allows for institutions to modify the interest-maximising behaviour of individual actors. Here, institutions are “the humanly devised constraints that structure political, economic and social interaction” (North 1991, p.97): informal (moral) norms and formal (legal) rules. Effective institutions hence constitute the operative “rules of the game (with enforcement)”, respectively the “incentive structure of a society” (ibid. p.98; 2005, p.1). The core claim is that institutions affect economic performance by reducing or increasing *transaction costs* (costs of market exchanges or of estimating prices) and the stability of *property relations*.

Like the early American institutionalists (Veblen, Commons), NIE and its socio-political offspring (North 2005; North et al. 2009) are interested in how economic performance varies in the evolution of changing belief systems and habits across space and time, leading to political agency that alters reality, triggering new rounds of habitual adaptation. But NIE limits the explanatory factors of these changes to the actions of utility maximising individuals<sup>4</sup> – and, more importantly, to economic rationality itself: “Institutions change, and fundamental changes in relative prices are the most important source of that change” (North 1990, p.84). Thus, NIE reduces the relevance of institutions to that of a mere modulator by virtue of their effects on costs. Institutions that foster capitalist development – usually a conceptual clarification of capitalism is circumvented altogether – are tautologically specified as those that allow for the unfolding of neoclassical core assumptions (North 1990). Getting these core institutions ‘right’ (primarily markets, entrepreneurship, property rights and rule of law) becomes the benchmark against which past economic history and future policies are evaluated in a teleological and profoundly functionalist manner (North 2005; North et al. 2009). Ultimately, institutional variation is reduced to a more or less successful functional adaptation to the requirements of an essentially invariant economic logic.

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4 “The agent of change is the individual entrepreneur responding to the incentives embodied in the institutional framework.” (North 1990, p.83)



## **Part II: The Capitalism/Market Divide and its Legacies in IR/IPE**

The discussion thus far suggests that debates around the conceptualisation of 'the economy' cleaved broadly into a wider historical understanding of capitalism as a social relation and into a more technical and abstract conceptualisation of 'the market'. The former, where it survived, was banished to and then marginalised in the disciplines of history and sociology; the latter reigned supreme in the new master-discipline of economics and raised to the rank of a model science for other social sciences. Against this background, this section seeks to demonstrate how the adoption of specific understandings of capitalism/market in IR and IPE yields specific implications for the conceptualisation of international relations.

### *Neo-Realism and Neo-Mercantilist IPE*

Neorealist thinking as advanced by Kenneth Waltz explicitly models its theory of international politics on the conception of the market in liberal economic theory. This procedure is purely analogical, as Waltz categorically excludes any interaction or co-production between the economic and the political to guard against 'reductionism'. Domestic social forces and, a fortiori, PE are bracketed as black boxes, and the effects of markets on state-behaviour are externalised from the remit of theory (Waltz 1979). Theory-construction proceeds from 'micro-economic theory': the behaviour of states as self-regarding units focused on survival under structural constraints of international anarchy is modelled after the image of the behaviour of individual, self-regarding firms, whose rationality is structured through processes of socialisation and selection in competitive markets. The underlying conception of social science, theory, law, and abstraction is directly borrowed from mainstream economics, positing a general law that is itself outside history. The result of Waltz's systematisation of 'classical realism' through prevailing US-American positivistic conceptions of market-behaviour is a 'pure theory' undisturbed by PE and history, which does not integrate the concept of capitalism in any shape or form.

In the 1970s, some realist IR scholars re-cast their research in terms of IPE in a neo-mercantilist direction (Guzzini 1998) While the axiomatic entry-point posits that “national security is and always will be the principal concern of states” (Gilpin 2001, p.18; also Krasner 2009a, p.5), realist IPE transcends the constricted security focus by supplementing the “pursuit of power” with the “pursuit of wealth”, analysing their “reciprocal and dynamic interaction” (Gilpin 1975, p.40): security depends on power, but power is affected by wealth, meaning that states intervene to channel “economic forces in ways favourable to their own economic interests” (Gilpin 2001, p.21). This translates – normatively – into policy advice: international co-operation, in contrast to liberal IPE theory, should be subject to a calculation on achieving ‘relative’ gains, accruing to one party, over ‘absolute gains’ (Grieco 1990). The category of wealth – where it is not simply understood as a quantitative pool of available resources, rather than as a social power – is then contradictorily and eclectically linked to two conceptions of the economy: one grounded in neo-classical economics, the other grounded in a re-definition of capitalism.

Capitalism, to Robert Gilpin, is characterised by a dynamic of creative destruction – the creation of “wealth through advancing continuously to ever higher levels of productivity and technological sophistication [...]. Technological progress [is] the ultimate driving force of capitalism.” (Gilpin 2000, p.3) The particularity of capitalism resides not in the emergence of a new constitution of the economic, but in its sustainable expansion – *continuous* wealth creation – through *industrial* production. This is combined with the security prerogative of (international) politics: to Gilpin modern nation states were a response to international security pressures that compelled feudal pre-state communities to rationalise their tax-bases, in order to generate necessary revenues for military-technological innovations that guaranteed state-survival. Territorial expansion and trade regulation as primary means of mercantilist wealth creation were increasingly replaced by productivity increases and trade between consolidated nation states when the Industrial Revolution remodelled the incentive structure of the international system (Gilpin 1981, chap.2,3). By the 19<sup>th</sup> century we could therefore speak of an “international capitalist system” (Gilpin 2000, p.3).

Gilpin’s turn to history narrows down to a juxtaposition of two a-historical autonomous logics of the economic and the political: Accepting “most, or at least much, of the corpus of conventional neoclassical economics”, he asserts that “the market has its own logic, and its

dictates must be heeded” (Gilpin 2001, pp.74, 24). But this acceptance of the autonomy of the market remains un-reconciled with the opening premise of security-driven economic policy. Realist IPE suggests that states and other actors modulate an essentially invariant economic logic by virtue of particular power constellations or “regimes” (e.g. Krasner 2009c; 2009b). But in the end, irrespective of how ‘the economic’ is conceived – either as wealth creation through capitalist technological innovations (productivity growth), or as the self-regulating market – this has no relevant effect on the primacy of security-driven state interests. For both conceptions of ‘the economic’ remain socially disembodied, ruling out how variable domestic social interests may inform varying state interests. Ultimately, the concept of capitalism as a contested social relation drops out.<sup>5</sup>

### *Classical Liberalism and Neoliberal Institutionalism*

Liberal IPE built originally on CPE and conceived of the expansion of markets as an essentially transnational and mutually beneficial affair, constituting a world market through a growing international division of labour and open markets. After WW I this assumption was supplemented with prescriptions for international political institution building – cooperative security, democracy promotion, the rule of law, collective problem solving. This liberal internationalism faced a critique during the inter-war period that returned Realism to the position of theoretical dominance, extended well into the 1970s. Yet, liberal models returned to prominence to explain phenomena of institutionalised collaboration in international relations ‘after hegemony’ (Keohane 1984).

Whereas realists argued that international regimes and institutions are derivative, reflecting the power and interests of dominant states, remaining on the whole confined to areas of ‘low politics’ (Krasner 2009a; 2009b; Mearsheimer 1994), neo-liberal institutionalists argued that institutions arise from a plurality of self-interested actors, constituting mutually beneficial arrangements, which themselves influence co-operative state-behaviour as they bind states into ‘rules of the game’. Based on the works of Douglass North, institutions

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<sup>5</sup> This is perhaps best illustrated in Hegemonic Stability Theory, which derives the establishment of liberal international economic orders from the material preponderance of a hegemonic state without inquiring into its social constitution and purpose.

function to reduce uncertainty, lower transaction costs, and solve collective action problems. Both perspectives, realist regime theory and neo-liberal institutionalism relied on a common notion of egotistical state rationality to explain institution-formation. While the former emphasised that co-operation was difficult to achieve given that states preferred 'relative gains' from co-operation, liberals emphasised the likelihood of sustained co-operation across diverse sets of policy-areas due to the collective welfare maximising effects accruing from co-operation, even if these effects were unevenly distributed ('absolute gains'). Ultimately, both approaches conceive of institutions as utilitarian and functional solutions to problems encountered by rational actors to advance 'common interests'.

Both approaches proceed by positing states as unitary actors with set preferences defined a priori. Realist regime-theory highlights a-symmetric inter-state power relations as the precondition for international institution-building that fix a given distribution of power within an international order to the advantage of the preponderant state. Neo-liberal institutionalism technically formalises the possibility of institutional co-operation given greater inter-state power symmetries. Both approaches theorise institutions as a function of state rationality in terms of a calculus on mutual gains in abstraction from questions of national interest formation: power, interest, and rationality become reified as political phenomena, decoupled from the domestic socio-economic interests and struggles that inform regime design and participation.

With neo-liberal institutionalism restricted to a state calculus, the 'liberal moment' shrinks to perceived state-mediated mutual gains from political co-operation mitigating anarchy. And if liberal international institution-building is conceived as an outcome of states devising institutions to lower transaction costs, then a neo-classical conception of the world-market needs to be imputed to which inter-state behaviour optimally adapts. Institution-building amongst states is either explained in analogy to market rationality, or it is explained as a function of the perceived mutual gains derived from the logic of the world-market. Yet for the model to work, liberal institutionalists have either to restrict the analysis to states whose markets are already more or less organised according to liberal precepts (Keohane 1984), or move towards a historical analysis of how victorious states, after major wars and multilateral peace settlements, engaged in successive rounds of liberal world order constructions, imposing institutions (Ikenberry 2001). The 'liberal moment' shrinks here to

the notion of 'strategic restraint', apparently wielded by Western powers after world wars, and the creation of legitimacy in newly liberalised states. This, in turn, re-privileges coercive Western state power as the key agency for liberal world-ordering, including the promotion of the reading of capitalism as freedom.

### *Marxism and IR*

To recall, Marx's work left two competing modes of thinking about capitalism: one pursued a logical-deductive register that derived further categories from the core concept of capital outside history; the other pursued a more historical mode that tracked the historical origins and development of capitalism as a historical phenomenon. Within the latter mode, Marx bequeathed two competing definitions of capitalism – one revolving around commerce and a growing division of labour; the other revolving around capitalism as a historically specific social relation, resulting from class conflicts. Yet, Marx never systematically addressed the question of the historical relation between capitalism and international relations (Teschke 2008). This section exemplifies the implications of adopting either of the two competing concepts of capitalism for IR, by contrasting World Systems Theory and Marxist International Historical Sociology.<sup>6</sup>

### *World-Systems Theory*

World-Systems Theory (WST) sought to integrate the role of states in the trade-mediated deepening, rather than levelling, of the international division of labour composing the capitalist world-market. Extending the insights of Dependency Theory (Frank 1969) of a systemic inequality in trade relations between developing and developed countries, WST claims that states differentiate functionally due to their position in international commerce – the latter being characterised as 'capitalism' – forming a 'capitalist world-system'.

According to WST, this system emerged in the 'long 16<sup>th</sup> Century' when, under the impact of colonial conquest an international division of labour between sovereign but interdependent

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<sup>6</sup> This choice comes at the expense of other Neo-Marxist approaches – for a wider overview see Teschke 2008.

states emerged, which was not characterised by comparative advantages, but by inherent inequality. Areas concentrating high value activities – the *core* – used their economic advantage to maintain and strengthen their international position by contracting out lower value activities to politically weaker and less developed areas – the *semi-periphery* and *periphery*. Regions within the latter two categories were thus “exploited” through resource transfers to the core, reinforcing their subordinate position in the hierarchy of states (Wallerstein 1974; 2004). Exploitation proceeds in the sphere of circulation rather than in the sphere of production. The world system is generically referred to as capitalist, since different regions, in spite of the presence of pre-capitalist modes of production in the periphery and semi-periphery, produce for sale on the world market. The states system is therefore a precondition for the rise and continuing reproduction of capitalism, since plural sovereignties are needed for the transfer of surplus from peripheries to cores through state-organized competition. A recurring cycle of successive hegemonic states (Genoa/Venice, Holland, Britain, and the United States) – invariably characterised as capitalist – periodically alters intra-core hierarchies, rearranging and realigning geo-commercial core–(semi-)periphery relations (Arrighi 1994). In contrast to Realist Hegemonic Stability Theory that anchors hegemony in military–political capacity alone, hegemony is here grounded in innovations in capital-intensive “labour regimes” (which spill over into commercial and then financial superiority), allowing hegemonic states to position themselves at the summit of the international division of labour. Hegemonic transitions are decided by hegemonic intra-core wars between rising challengers and declining status quo powers.

Building on the work of Fernand Braudel, capitalism in WST refers to “the top layer of the hierarchy of the world of trade” (Arrighi 1994, p.24), and capitalists are “those participants in trade who systematically appropriate the largest profits, regardless of the particular nature of the activities” (Arrighi et al. 2003, p.263). This conception of the capitalist world-system raises a series of problems. First, since the nature of economic activity is analytically irrelevant, the emergence of capitalism is dated to a point in time when *commerce* develops to a certain complexity – a procedure that invites the charge of arbitrariness and transhistoricity. Second, while state-strength is functionally derived from position in the international division of labour, WST neither addresses nor answers the question whether

the states system is itself causally created by — and not simply encountered by and functional to — capitalism.

Third, like neoclassical economics, WST has no theory of value- and profit-generation except for ‘buying cheap and selling dear’. It thus remains unable, despite attempts to disaggregate where and when profits are generated and ‘value’ added to a product or service across ‘global value chains’, to explain *why* this is the case. Class relations are expunged from an explanation of the emergence, reproduction and transformation of capitalism and replaced by quantitative inequalities in the sphere of circulation. WST is therefore unable to capture the regionally variegated class conflicts that generated differential outcomes in the encounter between core and peripheral states: for example, the reinforcement of pre-existing labour regimes (East-Elbian ‘second serfdom’), the imposition of completely new pre-capitalist labour regimes (slave-based plantation systems or *encomiendas* in the Americas), or their transformation in a (Marxian) capitalist direction (the creation of abstract wage-labour). Finally, a state’s strength and position in the world-system are directly inferred from its dominant labour regime and ascribed interest of its trade-dependent ruling class. The ‘strength’ of core states is premised on a high-skill/high-capitalization regime that simultaneously generates the resources to state-organized surplus transfer from the periphery, thus reinforcing inter-regional hierarchies. This purely quantitative conceptualization of power differentials fails to understand the specific qualitative character of state forms in their relation to class politics across all zones. It also operates with a profoundly un-historical, in fact: Neo-Smithian, conception of capitalism as commercial exchange grounded in a regional division of labour (Brenner 1977; Skocpol 1977).

### *Marxist International Historical Sociology*

In contrast to WST, Marxist International Historical Sociology (IHS) retrieves Marx’s second notion of capitalism as a historical social relation to rethink Marxist IR. In a renewed bifurcation within this sub-field, defenders of the law of Uneven and Combined Development (UCD), re-absorb this notion into a higher set of general conceptual

abstractions that develop UCD as a universal and nomothetic law of IR. This contrasts with a historicist approach that critically builds on the tradition of Political Marxism (PM).<sup>7</sup> The division between general theory building (abstraction) and historicity (concretion) encountered throughout the controversies in PE and the social sciences in this chapter re-surfaces thus again in altered form in contemporary Marxist IHS.

Whereas proponents of the UCD lens aim at general theory building and conceive of capitalism as a social system with determinate properties and an innate logic of ‘combined’ development, Political Marxism conceives of capitalism as a dynamic and historically contested social relation and invites a more radical historicism. Rather than reasoning from axioms towards history, a historicist approach that interrogates the construction of capitalist social relations mobilises history productively to de-stabilise pre-conceived categories and expectations. Rejecting attempts to devise a transhistorical general theory of IR or capitalist geopolitics restricted to capitalist modernity, it opens up a less deterministic, non-economistic, anti-structuralist, and open-ended mode of inquiry, which seeks to track the historical specificities of the relational-agential construction of diverse capitalist international relations. Instead of identifying unchanging structural imperatives underlying ‘capitalist geopolitics’, a linear-evolutionary developmental trajectory—such as the alleged contemporary shift from the ‘international’ to the ‘global’—or the universal law of UCD, the PM approach rejects the idea of either a realm of ‘the international’ spanning the period from 1648 to today based on inter-territorial security competition, a space of capitalist international relations following a single identifiable logic, or a determinate law that governs the relations between early and late developing states.

Drawing on the *Transition Debate* (Brenner 1985) on the rise of agrarian capitalism in late medieval England, one PM intervention into IR revolves around the co-development of the socially contested dynamics of capitalism, differential state-formation, geopolitical strategies of spatialisation, and the construction of specific political geographies (Teschke 2003; Lacher 2006). The account is theoretically premised on transformations in politically constituted and class-contested social property relations grounded in different balances of

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<sup>7</sup> Justin Rosenberg formalised the notion of UCD as a general Marxist theory of IR (Rosenberg 2006). For a critical discussion see Teschke 2014.



social forces. These inform the construction of different polities, modes of territoriality, and geopolitical relations. It starts with a clarification of the *sui generis* character of feudal geopolitics, reconstructs the emergence of a late medieval geopolitical pluriverse, and retraces the diverging, yet interconnected, trajectories of class and state-formation in late medieval and early modern France and England.

Since French and continental 'absolutisms' remained mired in pre-capitalist social property and authority relations, dynastic sovereignty and the persistence of 'geopolitical accumulation' (territorial aggrandizement) among European powers imparted specific pre-modern practices of international relations (inter-dynastic marriages, personal unions, wars of succession, mercantilist trade wars, predatory equilibrium, and empire formation) on the 'Westphalian System'. Although these practices constituted a system of multiple territories, it remained composed predominantly by the social relations of dynastic-absolutist sovereignty. The Westphalian Settlement as IR's 'foundational moment' of the modern states system is thus revised. By rejecting '1648' as a system-wide turning-point towards modern inter-state relations, the account retrieves the centrality of the 16<sup>th</sup> Century rise of agrarian capitalism in England and a new form of capitalist sovereignty in post-revolutionary Britain for an alternative perspective on the relation between capitalism and inter-state politics. Regulating continental inter-dynastic relations through the active management of the balance of power, Britain inadvertently exerted economic and geopolitical pressures that forced continental polities to design diverse counter-strategies of class and state formation through 'revolutions from above' in a process of spatio-temporally differentiated and geopolitically combined development (Teschke 2005).

As a result, the states-system is not conceived as 'the obverse side' of capitalism, but as the cumulative consequence of century-long medieval and early modern class conflicts over rights of domination and exploitation over land and people, which finally crystallised in a plurality of militarily competing dynastic territories. Accordingly, the inter-state system is neither conceived as invariantly functional to the structural imperatives of capitalism, nor do capitalist international relations follow *one* logic. Rather, the relationship between capitalism and the state system is conceived in a processual perspective that tracks the socially and geopolitically contested management of the expansion, transformation, and

sometimes negation of capitalist relations within a territorially prefigured geopolitical pluriverse that itself underwent manifold alterations. Capitalist social relations, where implemented, became differentially institutionalised and territorialised in diverse polities. This suggests not only that a political geography of multiple sovereign-territorial polities preceded the rise of capitalism, but also that a singular and over-arching logic of capitalist international relations cannot be assumed. As a consequence, the focus of research switches back to the historically specific construction of conflicting grand strategies of spatialisation by multiple polities set within wider international contexts. These diverse strategies (national, regional, imperial, informal, hegemonic, global) require an agency-centred perspective that emphasises the variable geopolitics in the construction of spaces of capital accumulation, rather than an invariant Marxist law of international relations, a deterministic neo-realist logic of security, or a neo-liberal logic of transaction-costs reducing institution-building amongst rational states.

### *Conclusion*

This chapter adopted a conceptual history of capitalism that explored in part I how the concept disappeared from mainstream economics in a century long conceptual contest, leading to its substitution by the abstract and apparently neutral counter-concept of the market. In part II, it showed how this vanishing act affected the very constitution of the mainstream paradigms, largely of US-American provenance, of IR and IPE that are conceptually and theoretically reliant on the derivative import of technical – and profoundly un-realistic – conceptions of the market from mainstream neoclassical economics. These controversies were as much intellectual as political. This suggests that a conceptual history of capitalism cannot be constructed outside of these political battles and wider socio-historical conditions.

This history demonstrates not only a much richer spectrum of alternative conceptualisations of the economic, but also reveals the immense conceptual impoverishment of mainstream IR and IPE traditions. Where present at all, ‘capitalism’ is essentially reduced to an ‘industrial’ form of production, or forms a rhetorical device of no particular conceptual standing designed to politically identify and denounce non-capitalist orders across space

and time. The more widespread conversion of a broader notion of capitalism as a social relation, grounded in class relations, into a socially disembodied, a-historical and neutral sphere of the market populated by individual rational actors had a decisive impact on the theoretical modelling of international relations, whose profoundness has rarely been acknowledged. For while mainstream IR/IPE deleted the economic from its explanatory purview, they paradoxically transposed assumptions about the operation of markets from 'economics' for modelling international relations, functioning separately from but in theoretical analogy to competitive markets. Many non-Marxist approaches are confronted with similar analytical shortcomings, due to their adoption of mainstream economics as a direct template for a nomothetic theory of the international – neoclassical micro-economics for Neo-Realism; NIE for Neo-Liberal Institutionalism.

The most immediate of these problems is the question of intellectual permissibility to simply equate the logic of international relations with that of market operations. In both Neo-Realist and neo-liberal institutionalist approaches we are presented with mere analogies and normative expectations, not explanations, of why states in the international arena should behave like utility maximising agents on abstract, respectively institutionally governed, markets. This is particularly problematic given the axiom that the operative logic of the economic is void of socio-political power relations and thus amenable to a singular and universal logic. By divesting the economic of socio-political conflicts, the market is essentially conceived as a politically neutral realm, working according to a handful of abstract principles, which themselves do not require any investigation into their adequacy to their subject matter or inherent political normativity. Even where institutions come into play, they are ultimately not privileged as constitutive of diverse economic 'rules of the game', but as functional or dysfunctional adaptations to marginalist/neoclassical hard-core assumptions. The respective differences between neo-liberal and neo-realist approaches therefore unfold on the basis of shared and very narrow methodological assumptions.

The historicisation of 'capitalism' as a historically dynamic social relation between classes, on the other hand, implies that the economic is neither a black box best left unconsidered and reduced to its wealth creating function, nor following certain eternal principles, nor an effect of its location in the trade-mediated international division of labour. Instead it is a particular historical and continuously contested, and therefore potentially transient,

product of socio-political and geopolitical conflicts over the process of instituting and maintaining particular sets of social property relations within diverse political geographies. This emphasis on specific agential conflicts that differentially configure social relations is conceived as a world-historical process of active construction and counter-construction, which does not lend itself to a conception of theory that can be abstractly modelled and derived from pure, essentialised, and ideal-typical notions of either capitalism or states as static or logical categories. It does, however, hold out the prospect of recovering the lost international history of capitalism – not as a testing ground for abstract theories, but as an active social relation between socio-politically and geographically differentially situated real life people. But for this project to succeed, we need to be clear about the conceptual history of the capitalism-market split, and the analytical choices it offers.

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